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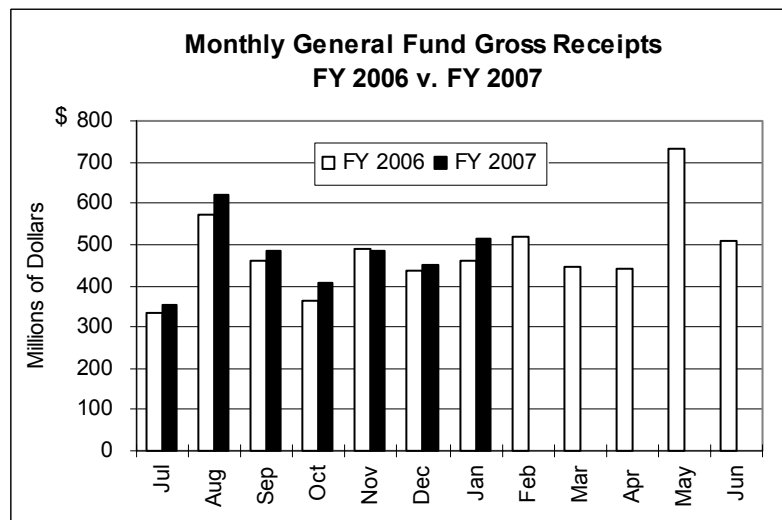
ADMINISTRATIVE SERVICES  
 TIMOTHY C. FALLER

## MEMORANDUM

TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives  
 FROM: Dennis C. Prouty  
 DATE: February 1, 2007

### Monthly General Fund Receipts through January 31, 2007

The attached spreadsheet presents year-to-date FY 2007 General Fund receipts, with comparable figures for actual FY 2006. The figures can be compared to the FY 2007 estimate of \$6.056 billion set by the Revenue Estimating Conference (REC) on December 12, 2006. The FY 2007 estimate is an increase of \$284.9 million (4.9%) compared to actual FY 2006 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The next REC meeting has not been scheduled.



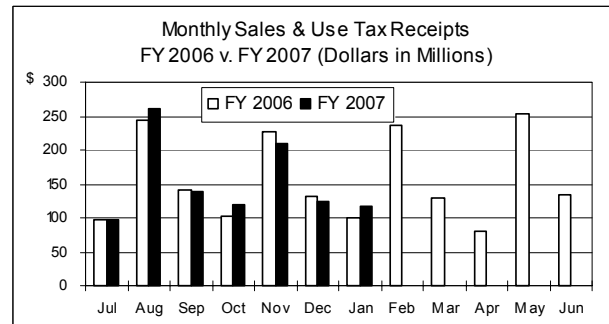
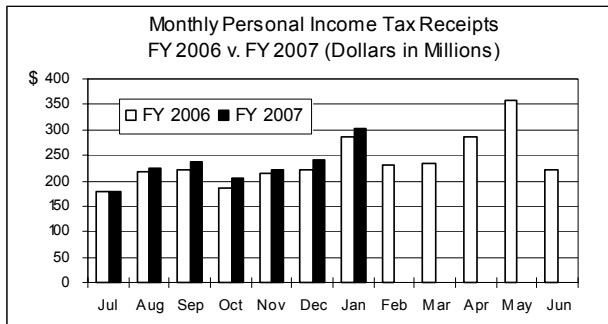
### FY 2007 Compared to FY 2006

Fiscal year to date, total gross cash receipts increased \$195.0 million (6.2%) compared to FY 2006. Major revenue sources contributing to the change include:

- Personal income tax (positive \$86.3 million, 5.7%)
- Sales/use tax (positive \$25.2 million, 2.4%)
- Corporate tax (positive \$64.4 million, 40.0%)
- Other taxes (positive \$15.6 million, 8.8%)
- Other receipts (positive \$3.2 million, 1.5%)

**Personal income tax** revenues received in January totaled \$303.5 million, an increase of \$17.8 million (6.2%) compared to January 2006. Withholding tax receipts were down \$6.1 million (-3.3%) for the month of January. January 2007 withholding receipts were negatively impacted by a tax due date issue that had the opposite impact on December receipts. January-to-January comparisons were also impacted by taxes withheld from a Powerball jackpot in January 2006.

The FY 2007 REC income tax estimate of \$3.027 billion represents a projected increase of 6.1% compared to actual FY 2006. Year-to-date, total income tax receipts have increased 5.7%. By subcategory, withholding tax payments increased 4.6%, income tax estimate payments increased 10.7%, while payments with returns increased 13.2%. The following chart compares FY 2007 monthly personal income tax receipts from the three personal income tax subcategories with FY 2006.



**Sales/use tax** receipts received in January totaled \$117.5 million, an increase of \$18.1 million (18.2%) compared to January 2006. With the January increase, three of the first seven months of FY 2007 have shown growth.

January revenue was positively impacted by check deposits delayed from December and negatively impacted by an increase in local option tax transfers (sales and hotel/motel tax). Local option tax revenue is first deposited to the State General Fund. Near the end of each month, a large transfer is made out of the General Fund. The monthly transfers are made on an estimated basis. This year's January transfer equaled \$45.9 million while last year's January transfer equaled \$39.9 million.

The REC estimate for FY 2007 sales/use tax receipts is \$1.932 billion, an increase of 2.7% compared to actual FY 2006. Fiscal year-to-date, sales/use tax receipts increased 2.4%. The preceding chart compares FY 2007 monthly sales tax receipts with FY 2006.

**Corporate tax** receipts received in January totaled \$33.6 million, a \$7.6 million increase (29.2%) compared to January 2006. Corporate tax receipts have shown strong growth since January 2003.

The REC estimate for FY 2007 corporate tax revenue is \$433.3 million, an increase of 24.3% compared to actual FY 2006. Year-to-date, corporate tax revenue has increased 40.0%.

**Other tax** receipts received in January totaled \$25.5 million, a \$6.5 million increase (34.2%) compared to January 2006. Inheritance, franchise, and cigarette tax receipts all showed strong growth for the month.

The REC estimate for FY 2007 receipts from other taxes is \$332.5 million, a decrease of 3.2% compared to actual FY 2006. Year-to-date, other tax receipts have increased 8.8%. Revenue from

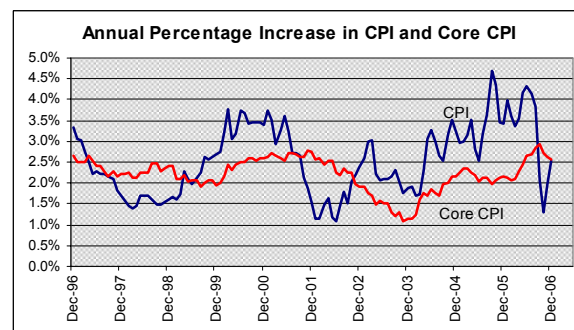
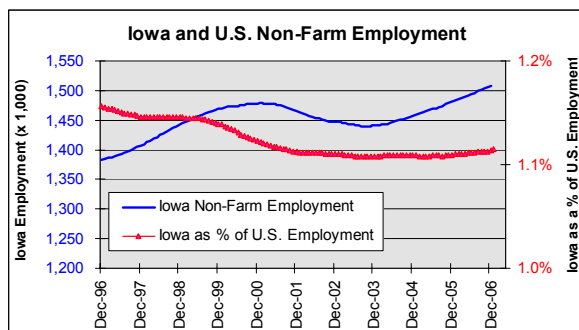
other taxes will decrease in March and June when the next two insurance premium tax payments are due.

**Other receipts** (non-tax receipts) received in January totaled \$32.5 million, a \$1.0 million increase (3.2%) compared to January 2006. Liquor profits, interest, and fees all showed strong growth in January, while judicial receipts and miscellaneous receipts were down. The REC estimate for FY 2007 other receipt revenue is \$330.9 million, a decrease of 3.6% compared to actual FY 2006. Year-to-date, other receipts have increased 1.5%.

### Status of the Economy

Iowa non-farm employment was reported at 1,534,200 for the month of January (not seasonally adjusted), 24,800 higher (1.8%) than January 2005.

Iowa's 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was January 2001 (1,478,700), and the recession low was August 2003 (1,439,900). The current average reading is now 1,507,800, so annualized Iowa non-farm employment is roughly 29,100 above its 2001 peak and 67,600 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1996 through 2003, but has increased over the past three years and the ratio is now at a five year high.



Consumer prices increased 0.1% during the month of January (not seasonally adjusted). The Consumer Price Index (CPI-U) through January 2006 was 201.8 (1983/84=100), 2.5% higher than one year ago. The drop in year-over-year inflation over recent months is attributed to a significant decrease in oil prices.

Core CPI, an inflation measure that excludes food and energy prices, decreased 0.1% during January and the year-over-year change was 2.6%. The core inflation rate generally declined from the early 1990's through March 2006. Since March, the rate of core CPI growth has noticeably accelerated, but is now down from its September peak of 2.9%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2006 vs. FY 2007 July 1 through January 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 06 Actual Compared to FY 07 REC Estimate		
	FY 2006	FY 2007	Year to Date % Change	January % Change	Actual FY 2006	Estimate FY 2007	Projected % Change
Personal Income Tax	\$ 1,524.0	\$ 1,610.3	5.7%	6.2%	\$ 2,854.2	\$ 3,027.0	6.1%
Sales/Use Tax	1,045.7	1,070.9	2.4%	18.2%	1,881.1	1,931.9	2.7%
Corporate Income Tax	160.9	225.3	40.0%	29.2%	348.6	433.3	24.3%
Inheritance Tax	43.5	46.3	6.4%	35.6%	73.1	74.4	1.8%
Insurance Premium Tax	49.2	60.5	23.0%	-100.0%	121.4	110.0	-9.4%
Cigarette Tax	51.9	52.4	1.0%	19.1%	89.5	89.5	0.0%
Tobacco Tax	5.2	5.5	5.8%	71.4%	9.2	9.7	5.4%
Beer Tax	8.7	8.8	1.1%	0.0%	14.2	14.5	2.1%
Franchise Tax	18.4	18.8	2.2%	61.3%	35.5	33.4	-5.9%
Miscellaneous Tax	0.2	0.4	100.0%	133.3%	0.6	1.0	66.7%
Total Special Taxes	\$ 2,907.7	\$ 3,099.2	6.6%	11.6%	\$ 5,427.4	\$ 5,724.7	5.5%
Institutional Payments	7.3	6.7	-8.2%	-11.1%	13.0	12.6	-3.1%
Liquor Profits	31.5	34.5	9.5%	38.5%	63.8	65.8	3.1%
Interest	10.3	18.1	75.7%	82.4%	17.5	23.3	33.1%
Fees	44.2	49.4	11.8%	12.7%	76.2	69.1	-9.3%
Judicial Revenue	29.2	33.6	15.1%	-20.3%	63.1	64.3	1.9%
Miscellaneous Receipts	31.7	15.1	-52.4%	-55.3%	49.7	35.8	-28.0%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 3,121.8	\$ 3,316.8	6.2%	11.0%	\$ 5,770.7	\$ 6,055.6	4.9%